


Guardian  
Capital Group  
Limited

Annual Report  
1981





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To the  
Shareholders

The year 1981 turned out to be a "bear market" year in most of the world's stock markets. We managed to navigate relatively well through the various rapids and shoals we found on our course mainly because we expected the year to be difficult. We were not disappointed.

A variety of factors, observations and influences caused us to be sceptical about 1981. One of the most obvious was the extraordinary degree of euphoric speculation that developed in 1980 in the world's more speculative stock exchanges — Vancouver, Hong Kong and Australia. A considerable number of relatively worthless companies were propelled upwards in price, causing otherwise perfectly normal corporate executives, investors and stock brokers to regard themselves as twentieth century alchemists able to turn paper into gold. The Vancouver Stock Exchange did a substantial portion of its total business with foreign investors — itself a sign that the silly season was in full bloom.

Another rather telling sign of trouble ahead was the way in which scepticism about Presidential candidate Ronald Reagan was transformed into starry-eyed optimism that a combination of common sense conservatism and supply-side economics would cure the excesses of more than four decades of misapplied Keynesianism without even a brief interlude of doubt or difficulty.

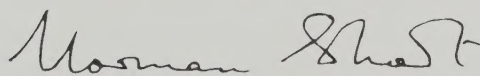
Last, but not least, the stock markets themselves were shouting from mid 1980 onwards that there was trouble in store — and this warning came precisely when it should have done for those aware of and interested in the four-year Presidential cycle.

The year 1981 was a significant year for Guardian in that the Securities Commissions approved, for several of our mutual funds, a fee schedule including a performance bonus. This fee schedule reduces somewhat our basic management fees, but permits us to earn above-average total fees if we perform well. This change brings our funds into line with our other managed accounts, as far as fees are concerned, and thus eliminates an inconsistency that existed in our business charges.

Shareholders are aware that Guardian Capital Group is willing to buy its own shares if and when these are available at a reasonable price. Each year we file a Notice of Intention with the Toronto Stock Exchange and with the Ontario Securities Commission in this regard. The shares in recent years have become available at a suitable price only at moments of overall market weakness. We therefore bought some in the fourth quarter of 1981. This activity is of value to us as an indicator of overall market value levels, and of market sentiment, as well as a valid way in which the per share value of existing shares can be improved. During 1981, we purchased a total of 42,641 shares, the bulk of them in one transaction. During the year ending November 1982, we are currently willing to purchase up to 5% of the shares outstanding, or about 55,000 shares.

The stock market storm warning was still in force in early 1982. Interestingly enough, however, even as time is starting to run out on the cycle, and the vigour of the decline as measured by breadth and various volume measures is abating, so also is general pessimism increasing. A little bit of contrary opinion is probably appropriate at this point.

On behalf of the Board,  
Yours sincerely,



Norman Short

April 23, 1982



# Financial Highlights

<b>December 31st:</b>	<b>1977</b>	<b>1978</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>
Year-end shares outstanding	1,070,490	1,049,845	1,017,490	1,142,090	1,099,449
<b>Value of Fiduciary Assets Managed</b> (\$ Millions)	226.4	337.1	421.7	564.2	616.1
<b>Value of Company's Owned Assets</b> (\$ Millions)	6.4	7.7	9.8	12.4	11.7
Per share outstanding	\$ 5.98	\$ 7.30	\$ 9.61	\$ 10.85	\$ 10.66
<b>Revenues and Earnings</b>					
Gross revenues	\$1,988,420	\$2,453,551	\$2,528,250	\$3,522,912	\$4,045,247
Operating earnings	482,858	719,108	671,835	1,266,394	1,406,927
Net gain on investments	440,492	644,768	1,357,773	2,303,098	450,672
Earnings before tax and equity in other companies	923,350	1,363,876	2,029,608	3,569,492	1,857,599
Net earnings	681,430	1,219,175	1,789,221	3,003,572	1,714,478
Net earnings per average share outstanding	\$ 0.61	\$ 1.15	\$ 1.73	\$ 2.76	\$ 1.52
Dividends paid per share outstanding	\$ 0.20	\$ 0.30	\$ 0.50	\$ 0.70	\$ 0.50

# Guardian Capital Group Limited and Subsidiary Companies

## Consolidated Balance Sheet

as at December 31, 1981

	1981	1980
<b>Assets</b>		
Investments —		
Companies — at equity (Note 2)	\$ 7,333,160	\$ 6,933,902
Portfolio — at cost	2,347,922	2,319,660
Tax shelters —		
Films — at cost, less accumulated amortization	426,600	712,600
Oil and gas — at cost	82,500	317,500
Cash and short-term deposits	1,120,002	1,038,027
Receivables	907,219	907,611
Prepaid expenses	55,906	31,817
Fixed assets (Note 3)	282,544	137,805
Goodwill — at cost	2,759,736	2,759,736
	<b>\$15,315,589</b>	<b>\$15,158,658</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 496,093	\$ 514,235
Income taxes —		
Currently payable	227,287	248,460
Deferred	725,228	715,785
Deferred gain (Note 2)	250,422	574,105
Long-term debt (Note 4)	80,737	270,346
	<b>1,779,767</b>	<b>2,322,931</b>
<b>Shareholders' Equity</b>		
Capital stock (Note 5)		
Authorized —		
2,399,762 shares without par value		
(1980 — 2,402,262 shares)		
Issued and fully paid —		
1,141,890 shares		
(1980 — 1,144,390 shares)	5,969,758	5,982,833
Contributed surplus	467,711	477,024
Retained earnings	7,539,641	6,396,208
	<b>13,977,110</b>	<b>12,856,065</b>
Less: 42,441 shares owned by the Company		
(1980 — 2,300 shares)	441,288	20,338
	<b>13,535,822</b>	<b>12,835,727</b>
	<b>\$15,315,589</b>	<b>\$15,158,658</b>

The accompanying notes are an integral part of this financial statement.

Signed on behalf of the Board

Norman J. Short, Director  
Gurston I. Rosenfeld, Director



**Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies**

**Consolidated  
Statement  
of Earnings**

for the year ended  
December 31, 1981

	1981	1980
<b>Income</b>		
Basic management fees	\$2,810,759	\$2,584,464
Supplementary management fees	693,357	555,985
Interest, dividends and other	541,131	382,463
	<b>4,045,247</b>	<b>3,522,912</b>
<b>Operating expenses</b>		
Expenses exclusive of undernoted item	2,356,693	2,093,304
Depreciation and amortization	281,627	163,214
	<b>2,638,320</b>	<b>2,256,518</b>
	<b>1,406,927</b>	<b>1,266,394</b>
<b>Net gain on investments</b>	<b>450,672</b>	<b>2,303,098</b>
	<b>1,857,599</b>	<b>3,569,492</b>
<b>Income taxes</b>		
Current	804,098	694,448
Deferred	9,443	522,000
	<b>813,541</b>	<b>1,216,448</b>
	<b>1,044,058</b>	<b>2,353,044</b>
<b>Equity in net earnings of other companies</b>	<b>670,420</b>	<b>650,528</b>
<b>Net earnings for the year</b>	<b>\$1,714,478</b>	<b>\$3,003,572</b>
<b>Net earnings per share (Note 6)</b>	<b>\$1.52</b>	<b>\$2.76</b>

The accompanying notes are an integral part of this financial statement.

**Consolidated  
Statement  
of Retained  
Earnings**

for the year ended  
December 31, 1981

	1981	1980
<b>Balance — Beginning of year</b>	<b>\$6,396,208</b>	<b>\$4,689,534</b>
Add:		
Net earnings for the year	1,714,478	3,003,572
	<b>8,110,686</b>	<b>7,693,106</b>
Deduct:		
Dividends	571,045	706,153
Acquisition of subsidiary's capital stock issued upon exercise of purchase warrants	—	590,745
	<b>571,045</b>	<b>1,296,898</b>
<b>Balance — End of year</b>	<b>\$7,539,641</b>	<b>\$6,396,208</b>

The accompanying notes are an integral part of this financial statement.

# Consolidated Statement of Changes in Net Assets

for the year ended  
December 31, 1981

	1981	1980
<b>Net assets — Beginning of year</b>	<b>\$12,835,727</b>	<b>\$9,938,490</b>
Increased by—		
Net earnings for the year	1,714,478	3,003,572
Proceeds from exercise of subsidiary's share purchase warrants	—	701,970
	<b>1,714,478</b>	<b>3,705,542</b>
Decreased by —		
Acquisition of Company's capital stock (Note 5)	443,338	102,152
Dividends	571,045	706,153
	<b>1,014,383</b>	<b>808,305</b>
	<b>700,095</b>	<b>2,897,237</b>
<b>Net assets — End of year</b>	<b>\$13,535,822</b>	<b>\$12,835,727</b>

The accompanying notes are an integral part of this financial statement.

# Consolidated Statement of Contributed Surplus

for the year ended  
December 31, 1981

	1981	1980
<b>Balance — Beginning of year</b>	<b>\$477,024</b>	<b>\$584,502</b>
Deduct:		
Loss on cancellation of Company's capital stock acquired from shareholders (Note 5)	9,313	106,353
Exercise of share purchase warrants in subsidiary	—	1,125
	<b>9,313</b>	<b>107,478</b>
<b>Balance — End of year</b>	<b>\$467,711</b>	<b>\$477,024</b>

The accompanying notes are an integral part of this financial statement.



# Guardian Capital Group Limited and Subsidiary Companies

## Consolidated Statement of Portfolio Investments

as at December 31, 1981

	Number of Shares or Units	Cost	Market Value
<b>Securities having a quoted market value</b>			
Oil Company of Australia	200,000	\$ 169,198	\$ 122,000
Wall Street Capital Fund Limited	5,528	120,050	121,304
Tyndall-Guardian Commodity Fund	5,284	120,050	115,793
Tyndall-Guardian Investments Ltd. — 'B'	5,277	114,827	115,334
Sceptre Resources Limited	7,336	91,700	94,414
Pan-Cana Resources Ltd. — 'A'	15,000	105,373	71,250
Orion Petroleum Company	40,000	33,812	58,000
Ram Petroleums Ltd.	6,000	139,071	44,250
Scarboro Resources Ltd.	11,600	46,980	42,688
Chancellor Energy Resources Inc.	20,000	19,395	39,000
		960,456	\$ 824,033
<b>Securities not having a quoted market value</b>			
Hadrian Associates	1	773,954	
Magna International Inc. — 7½% preferred	10,000	250,000	
Barrick Petroleum Corporation — 'A'	150,000	150,000	
Barrick Petroleum Corporation — common	150	150	
Cooper Rosenfeld Productions Inc. (23.75% interest)	50	125,000	
Lescarden Ltd.	40,000	58,237	
Miscellaneous		30,125	
		1,387,466	
		\$2,347,922	

The accompanying notes are an integral part of this financial statement.

## Auditors' Report to the Shareholders of Guardian Capital Group Limited

We have examined the consolidated balance sheet and the consolidated statement of portfolio investments of Guardian Capital Group Limited as at December 31, 1981 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.  
Chartered Accountants

Toronto, March 31, 1982



# Notes to Consolidated Financial Statements

for the year ended December 31, 1981

## 1. Summary of significant accounting policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

### (b) Investments

Investments in companies in which the Company has significant influence are accounted for by the equity method.

Portfolio investments are carried at cost.

Films are carried at cost less accumulated amortization. They are amortized on a straight-line basis over three years, which is the estimated period during which any significant income from them can be anticipated. Oil and gas investments are carried at cost.

### (c) Fixed Assets

The majority of the furniture and equipment is depreciated on the diminishing balance method at the rate of 20% per annum.

Computer hardware and software are depreciated on the straight-line basis at 20% per annum.

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

### (d) Goodwill

Goodwill which arose prior to March 31, 1974, does not, in the opinion of management, require amortization at this time.

### (e) Income Taxes

The companies have deferred to future periods the income taxes resulting from claiming deductions for tax purposes in excess of the amounts charged in the accounts.

### (f) Translation of foreign currency

Accounts in foreign currencies have been translated into Canadian dollars as follows:

- (i) cash, short-term deposits and receivables at the year-end exchange rate;
- (ii) purchases and sales of investments and income and expenses at the rate of exchange prevailing on the respective dates of such transactions; and
- (iii) equity earnings at the average quarterly rate.

### (g) Management Fees

The companies provide management and investment advisory services to mutual funds and investors on a contract basis in consideration for management fees.

Under some contracts the companies are entitled to earn supplementary fees if the managed portfolio outperforms certain stock market averages.

## 2. Investments

Investments in companies accounted for by the equity method are:

	1981	1980
Tyndall-Guardian Management Limited — shares — (48.39%; 1980 — 50.0%)	\$1,510,171	\$1,136,283
Guardian-Ermitage Investments Limited — shares — (41.67%)	1,462,511	1,437,141
— notes receivable	4,360,478	4,360,478
	<b>\$7,333,160</b>	<b>\$6,933,902</b>

During the year Tyndall-Guardian Management Limited (TGML) issued shares to third parties; this had the effect of diluting the Company's interest in TGML from 50% to 48.39%.

During 1980 a subsidiary company sold portfolio investments to Guardian-Ermitage Investments Limited (GEIL). Since GEIL is accounted for by the equity method the gain on this sale is deferred until these investments are sold to third parties. As at December 31, 1981 the deferred gain is \$250,422 (1980 — \$574,105). The notes receivable from GEIL are interest free and are due when the outstanding shares are redeemed.



# Guardian Capital Group Limited and Subsidiary Companies

## Notes to Consolidated Financial Statements

for the year ended  
December 31, 1981

### 3. Fixed Assets

	1981		1980	
	Cost	Accumulated Depreciation and Amortization	Net	Net
Computer hardware and software	\$141,949	\$ 2,850	\$139,099	\$ —
Furniture and equipment	284,939	154,859	130,080	120,637
Leasehold improvements	91,300	77,935	13,365	17,168
	<b>\$518,188</b>	<b>\$235,644</b>	<b>\$282,544</b>	<b>\$137,805</b>

### 4. Long-term debt

	Outstanding at December 31,	
	1981	1980
— 14.25% note payable	\$23,984	\$208,731
— interest-free notes payable	56,753	61,615
	<b>\$80,737</b>	<b>\$270,346</b>

These notes payable are secured by film investments.

### 5. Capital stock

- (a) During the year, the Company acquired 42,641 of its own shares for \$443,338 cash and cancelled 2,500 shares, of which 2,300 had been acquired in 1980. Such cancellation, which reduced the number of authorized and issued shares accordingly, gave rise to a loss of \$9,313 which was charged to contributed surplus. The 42,441 shares held at December 31, 1981 have been cancelled subsequent to the year-end.
- (b) As at December 31, 1981, 40,416 share purchase warrants were outstanding. Each warrant entitled the holder thereof to purchase one share of the Company at \$8.00 per share on or before December 31, 1983.

### 6. Earnings per share

The earnings per share calculations are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share are not materially different from basic earnings per share.

### 7. Long-term lease commitment

The minimum annual rental under a lease agreement for premises which terminates on December 31, 1986 is approximately \$69,000.

### 8. Statutory information

The aggregate remuneration of directors and senior officers for the year ended December 31, 1981 was \$797,239 (1980 — \$531,312).



# Notes to Consolidated Financial Statements

for the year ended December 31, 1981

## 9. Business Segments

Operations and identifiable assets by industry segment for the year ended December 31, 1981 are as follows:

	1981			1980		
	Management Services	Investment Activity	Consolidated	Management Services	Investment Activity	Consolidated
<b>Income</b>	<b>\$3,504,116</b>	<b>\$ 541,131</b>	<b>\$4,045,247</b>	<b>\$3,140,449</b>	<b>\$ 382,463</b>	<b>\$3,522,912</b>
Net gain on investments	—	450,672	450,672	—	2,303,098	2,303,098
	<b>3,504,116</b>	<b>991,803</b>	<b>4,495,919</b>	<b>3,140,449</b>	<b>2,685,561</b>	<b>5,826,010</b>
<b>Operating Expenses</b>						
Expenses	2,199,896	81,026	2,280,922	1,906,604	115,196	2,021,800
Depreciation and amortization	23,627	258,000	281,627	20,778	142,436	163,214
	<b>2,223,523</b>	<b>339,026</b>	<b>2,562,549</b>	<b>1,927,382</b>	<b>257,632</b>	<b>2,185,014</b>
<b>Segment operating profit</b>	<b>\$1,280,593</b>	<b>\$ 652,777</b>	<b>1,933,370</b>	<b>\$1,213,067</b>	<b>\$2,427,929</b>	<b>3,640,996</b>
General corporate expenses			75,771			71,504
			<b>1,857,599</b>			<b>3,569,492</b>
Income taxes			813,541			1,216,448
			<b>1,044,058</b>			<b>2,353,044</b>
Equity in net earnings of other companies			670,420			650,528
<b>Net earnings for the year</b>			<b>\$1,714,478</b>			<b>\$3,003,572</b>
<b>Identifiable assets:</b>						
Management services			\$4,033,877			\$3,784,258
Investment activity			3,832,261			4,316,742
Corporate			116,291			123,756
Equity investments			7,333,160			6,933,902
			<b>\$15,315,589</b>			<b>\$15,158,658</b>



# Guardian Capital Group Limited

48 Yonge Street, Toronto, Ontario M5E 1H3

## **Officers and Directors**

John Bak, *Director*  
John Christodoulou, *Director*  
James F. Cole, *Director*  
William Filipiuk, *Director*  
Paul B. Helliwell, *Director*  
Robert L. Miller, *Director*  
Brian Pepperall, *Director*  
Gurston Rosenfeld, *Vice-President & Director*  
Norman J. Short, *President & Director*  
Bernice Wade, *Director*  
Donald C. Webster, *Director*  
Roger D. Wilson, *Director*  
C. Verner Christensen, *Secretary-Treasurer*  
Elinor Crighton, *Assistant Secretary*

## **Registrar and Transfer Agent**

The Canada Trust Company  
110 Yonge Street, Toronto, Ontario

## **Banker and Custodian of Securities**

The Canadian Imperial Bank of Commerce  
7 King Street East, Toronto, Ontario

## **Auditors**

Smith, Nixon & Co.  
372 Bay Street, Toronto, Ontario

## **Legal Counsel**

Day, Wilson, Campbell  
250 University Avenue, Toronto, Ontario